

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7088**

**BILL NUMBER:** HB 1713

**DATE PREPARED:** Jan 20, 1999

**BILL AMENDED:**

**SUBJECT:** Textbook funding.

**FISCAL ANALYST:** Mark Goodpaster

**PHONE NUMBER:** 232-9852

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			
State Expenditures		80,000,000	79,400,000
Net Increase (Decrease)		(80,000,000)	(79,400,000)

LOCAL IMPACT	CY 1999	CY 2000	CY 2001
Local Revenues			
Local Expenditures	(8,000,000)	(14,800,000)	(13,900,000)
Net Increase (Decrease)	8,000,000	14,800,000	13,900,000

**Summary of Legislation:** This bill has the following provisions:

**Public School Textbooks:** It provides textbooks to students in public schools and in accredited nonpublic schools at no charge to the student's family.

**Nonpublic Schools:** It establishes a parental reimbursement program as the mechanism to provide textbooks for students in accredited nonpublic schools.

**Textbook Rental and Library Programs:** It abolishes the public school textbook rental program and the public school textbook library program.

**Textbook Reimbursement Fund:** It abolishes the program that provides state reimbursement for textbook assistance to certain public and private school students.

**Redefines Textbooks:** It redefines "textbook" to include the various kinds of instructional materials that are currently eligible for state reimbursement under the textbook assistance program. It requires a school corporation to establish a textbook fund and to appropriate money from the fund to purchase and distribute textbooks.

**Textbook Grants:** It provides an annual state textbook grant to school corporations of \$85 per ADM (average daily membership) for deposit in the textbook account. It provides an annual appropriation of \$85 per student enrolled in an accredited nonpublic school for whom textbook reimbursement is sought.

**Other Provisions:** It makes conforming changes and adds transitional provisions.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures: Textbook Grants:** School corporations would be eligible for state funding based on a state grant per ADM of \$85. The added costs to the State General Fund are based on projected ADM (Average Daily Membership) multiplied by \$85. Students in nonpublic schools would also receive \$85 per student **For FY 2000, this bill appropriates \$80 million for textbook assistance.**

For public schools, the added costs would be \$82.7 million in FY 2000, \$83.3 million in FY 2001 and \$83.8 million in FY 2002. For nonpublic schools, the additional costs are based on a statewide enrollment of 117,240 in FY 2000 and increased by a growth factor each year multiplied by \$85.

**Elimination of State Appropriation for Textbooks:** The State General Fund currently appropriates \$12.5 million to pay for a portion of the costs of textbook rental fees that are waived by school corporations for children of families who qualify for the Federal Free Lunch Program. Since the portion of the program pertaining to public schools would be abolished, the State General Fund would realize a savings of \$12.4 million annually.

**Poor Relief/Reduction of PTRC:** The state pays 20% Property Tax Replacement Credit (PTRC) on poor relief levies. The reduction in the poor relief levy explained under local revenues will result in a reduction in the amount of \$73,000 paid by PTRC (20% of \$366,000). PTRC is paid from the Property Tax Replacement Fund which is supplemented by the State General Fund. Therefore, any reduction in PTRC actually reduces expenditures from the State General Fund.

		less:				
<u>FY</u>	<u>Textbook Adopted</u>	<u>Public Schools</u>	<u>Nonpublic Schools</u>	<u>Less State Reimbursement</u>	<u>Reduction in PTRC</u>	<u>Net Cost</u>
2000	Science and Health	\$81.4M	\$9.97M	(\$12.4M)	(\$0.1M)	\$78.89M
2001	Miscellaneous	\$81.8M	\$10.02M	(\$12.4M)	(\$0.1M)	\$79.34M
2002	Reading/Handwriting	\$82.1M	\$10.07M	(\$12.4M)	(\$0.1M)	\$79.69M
2003	Language Arts	\$82.5M	\$10.12M	(\$12.4M)	(\$0.1M)	\$80.14M

#### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** While school corporations would continue to pay the costs of textbooks, they would recover their costs from a state grant rather than from the current sources of funds which are explained below. The projected revenue from the state grant is projected to exceed the revenue from these current sources thereby reducing local school expenditures.

**Explanation of Local Revenues:** School corporations currently recover their expenditures for textbooks from textbook rental fees, sales of used textbooks, state reimbursement for the textbooks for children who qualify for the Federal Free Lunch Program and financial assistance from township trustees. As proposed by this bill, school corporations would now recover their costs through a state grant of \$85 per ADM and eliminate all other revenue sources. Consequently, textbook rental fees would no longer be charged and schools would no longer receive payments from either the current Textbook Reimbursement Program funded by the State General Fund or from township trustees.

The following table compares the projected costs and revenues to school corporations under current law to the projected costs and revenues as proposed by this bill.

**Estimate Based on Current Law:** Under current law, the revenues that school corporations receive from textbook fees and sales are projected to continue increasing at a rate of 2.4% annually. Reimbursements from the State General Fund for textbook reimbursements and assistance from township trustees are assumed to remain at the 1998 level. Textbook purchases are projected to increase by 6.2% annually. The difference between projected revenues and expenditures are shown in the column noted “Net Difference” These projections show that generally costs will exceed the collected revenues assuming that the projected trends occur.

**Estimated Based on Proposed Bill:** As proposed by this bill, school corporations would receive revenue from a state grant based on each corporation’s ADM. This grant revenue, estimated to be approximately \$83 million per year, is projected to exceed the revenue that school corporations currently receive from four other general sources. The townships’ maximum levies would be reduced by \$366,000 which will translate into a gross property tax reduction in the same amount. Taxpayers would receive net property tax relief (after PTRC) of about \$292,800. The projected savings for local units of government in future years is based on reported expenditures of \$366,000 for CY 1998.

Also, under current law, school corporations may provide free textbooks through elementary and high school libraries if 51% of the registered voters in the school district approve a referendum. This bill would reduce the General Fund levy of school corporations that currently provide free textbooks. LSA staff was not able to identify any school corporations that provide free textbooks through this statute.

**Net Change:** The final column in the table below shows the difference between the net differences of the two sets of projections. Overall, when comparing the differences in projections between current law and this proposed bill, school corporations would realize additional revenues of an estimated \$7.8 million in CY 1999, \$14.7 million in CY 2000 and \$13.8 million in CY 2001 under this bill.

<u>CY</u>	<u>Estimate Based on Current Law</u>			<u>Estimate Based on Proposed Bill</u>				
	<u>Projected Revenue</u>	<u>Projected Costs</u>	<u>Net Diff.</u>	<u>State Grant</u>	<u>Projected Costs</u>	<u>less: Trustees Assistance</u>	<u>Net Diff.</u>	<u>Net Change</u>
1999	32.9M	(\$35.8M)	(\$2.9M)	\$40.8M	(\$35.8M)	\$0.1M	\$5.1M	\$8.0M
2000	67.1M	(\$74.2M)	(\$7.1M)	\$81.6M	(\$74.2M)	\$0.3M	\$7.7M	\$14.8M
2001	68.4M	(\$66.7M)	\$1.7M	\$82.0M	(\$66.7M)	\$0.3M	\$15.6M	\$13.9M
2002	69.7M	(\$82.4M)	(\$12.7M)	\$82.4M	(\$82.4M)	\$0.3M	\$0.3M	\$13.0M

**State Agencies Affected:** Department of Education, State Board of Tax Commissioners.

**Local Agencies Affected:** School Corporations.

**Information Sources:** Department of Education Data Bases; Local Government Data Base.